



Rate of Last Resort Implementation by Rural Electrification Associations and municipalities

September 3, 2024

Disclaimer

This presentation reflects preliminary information available as of the publication date regarding the implementation of the Rate of Last Resort. The contents are provided for information only.

The Market Surveillance Administrator offers no guarantee of the accuracy of the content.

Agenda

- Land acknowledgement
- Introductions
- Summary of August 16 meeting
- Clarifications from discussions
- Recent updates
- Rate re-opener stakeholder consultation
- MSA advice and path forward
- Questions

Introductions

- Market Surveillance Administrator
- Observers
 - Ministry of Affordability and Utilities
 - Alberta Utilities Commission
 - Utilities Consumer Advocate

Summary of August 16 meeting

- Described anticipated forthcoming changes to the regulated rates and energy price setting plans (EPSPs):
 - monthly regulated rate option (RRO) rate changing to two-year Rate of Last Resort (RoLR) rate
 - no procurement requirements or rate-setting calculation requirements under RoLR
 - rate cannot change by more than 10% between two-year terms
 - EPSPs will need to be redeveloped to reflect these changes
 - EPSPs will need to be consistent with fair, efficient, and openly competitive (FEOC) operation of the electricity market
 - EPSPs and RoLR rates will continue to be approved by current regulatory authority

Summary of August 16 meeting

- Described anticipated forthcoming changes to the RoLR and EPSPs
 - RoLR rate re-opener will be triggered if RoLR providers experience unreasonable profits or losses
 - rate re-opener will operate independently from the EPSP process
 - RoLR energy rate line item must be displayed as the “Rate of Last Resort” on bills, with an additional statement on bills and in bills & Terms and Conditions
 - UCA will contact RoLR consumers every 90 days to confirm RoLR customers wish to stay on the RoLR
 - RoLR providers must share customers’ contact information with the UCA
 - RoLR rates must contain a 0.1 cent/kWh consumer awareness surcharge to fund UCA’s rate confirmation activities
 - Just and reasonable implementation costs associated with new RoLR rates can be recovered through a transitional provision in regulation

Summary of August 16 meeting

- Described anticipated new MSA activities that would impact RoLR providers:
 - EPSP development:
 - Provide advice: MSA may provide advice to RoLR providers on how to ensure EPSPs are FEOC
 - Provide determinations: MSA must provide a FEOC determination to RoLR providers that assesses whether EPSPs are FEOC
 - Requires RoLR providers submit their EPSP to the MSA & evidence demonstrating it is FEOC before submitting the EPSP to their regulatory authority
 - Rate re-opener:
 - MSA will monitor profitability of RoLR providers, and recommend a RoLR rate re-opener if profits/losses are determined to be unreasonable
 - Details will be determined in the Fall stakeholder consultation

Clarifications from discussions

- Regulations continue to be under development
- Standards of “just” and “reasonable” will not change
- Regulatory authorities will not be change
- The MSA is committed to working expeditiously with RoLR providers to make FEOC determinations in support of a January 1, 2025 RoLR rate implementation

Recent updates

- The upcoming Rate of Last Resort Regulation is expected to include an expiry date of December 31, 2028
- The MSA is expected to be enabled to direct the relevant regulatory authority to initiate a rate re-opener proceeding if at any point the MSA assesses that a RoLR Provider is experiencing unique adverse conditions during an active two-year RoLR term

Rate re-opener stakeholder consultation

- MSA will begin its stakeholder consultation shortly after regulatory changes are enacted
- Consultation will address a number of elements to establish the following:
 - The appropriate measure(s) of RoLR provider financial performance to be used by the MSA
 - The nature of data submissions to the MSA
 - The frequency of data submissions to the MSA
 - The nature of the rate re-opener threshold
 - Other elements to be determined

MSA advice and path forward

- RoLR providers are encouraged to begin engaging with the MSA on EPSPs
- At this time, the MSA can:
 - Provide advice on EPSPs developed by RoLR providers
 - Provide advice to RoLR providers regarding concepts they have for EPSPs
- Until regulation amendments take effect, the MSA will not have the authority to provide FEOC determinations
 - RoLR providers may submit draft EPSPs to the MSA in advance of regulatory change

Questions

